

Appeal from a decision of the Colorado State Office, Bureau of Land Management, holding oil and gas lease C-4570 to have expired.

Affirmed.

1. Oil and Gas Leases: Expiration

Where an oil and gas lease is eliminated from a unit and receives an extension of its term for 2 years and so long thereafter as oil or gas is produced in paying quantities, the lease will expire at the end of that 2-year period unless there is a well located on the lease which is capable of producing oil or gas in paying quantities.

APPEARANCES: W. Paul Loyd, Division Landman, J. M. Huber Corporation, Houston, Texas.

OPINION BY ADMINISTRATIVE JUDGE HARRIS

J. M. Huber (Huber) Corporation has appealed a March 6, 1987, decision of the Colorado State Office, Bureau of Land Management (BLM), holding oil and gas lease C-4570 to have expired at midnight on February 6, 1987. The record indicates that Huber held operating rights to certain portions of the lease. Competitive oil and gas lease C-4570 issued, effective July 1, 1969, for 560 acres in the Sulphur Creek field in T. 2 S., R. 98 W., sixth principal meridian, Rio Blanco County, Colorado. The case record shows that the lease was considered producing following completion of a well (No. 23-1) in the NE¹ NW¹ sec. 23, T. 2 S., R. 98 W., on August 7, 1971, and it was placed on royalty status. Subsequently, the lease was committed to the Rio Blanco Unit effective September 30, 1971, and thereafter segregated by partial assignment, effective March 1, 1972. Lease C-4570, containing 360 acres, no longer included the producing well (No. 23-1); it was retained on the 200 acres in the segregated lease (C-4570-A). Lease C-4570 was returned to rental status.

Following establishment of the initial participating area, the lease term of C-4570 was extended by production on the unit. The serial register page for lease C-4570 shows that it was transferred to royalty status on May 13, 1975.

On November 26, 1986, BLM issued a decision informing the lessees of various leases, including C-4570, that, in accordance with the unit agreement terms, the Rio Blanco Unit automatically contracted to the boundaries of the approved participating area, effective February 6, 1985. BLM then stated:

Our records indicate that each lease contains at least one well which has been determined to be capable of producing oil or gas in paying quantities. Each lease will continue in royalty or minimum royalty status. * * * This decision is issued to clarify that each lease is currently in a definite extended term ending February 6, 1987, at which time the continuation of the lease will depend on production from a leasehold well unless the lease is extended by other applicable provisions of the law and regulations.

In its March 6, 1987, decision presently under appeal, BLM stated that to the extent its November 26, 1986, decision had indicated lease C-4570 contained a well capable of producing oil or gas in paying quantities, it was incorrect. However, BLM held that since the lease contained no well capable of production, it expired at midnight on February 6, 1987.

On appeal Huber states that it relied on the November 26, 1986, decision placing the lease in a minimum royalty status and indicates that additional zones in two wells (Nos. 14-1 and 23-2) on the lease could have been tested, if it had not relied on BLM's decision. Huber does not contend that there actually was a well capable of production on the lease on the expiration date.

In a February 10, 1987, memorandum from the Craig District Manager, BLM, to the BLM Colorado State Director, regarding the status of C-4570 and C-4570-A, a copy of which apparently accompanied the decision, the District Manager stated:

Two wells were subsequently drilled and completed on lease no. C-4570. Well no. 14-1, NWSE Sec. 14, T. 2 S., R. 98 W., was completed on March 31, 1976, with a potential of 6 MCFR. Well no. 23-2, NESW Sec. 23, T. 2 S., R. 98 W., was completed April 6, 1976, with very little gas, too small to measure. Neither well was determined to be capable of production in paying quantities on a lease or unit basis. Both lease nos. C-4570 and C-4570-A were contracted out of the Rio Blanco Unit, effective February 6, 1985, and given a two-year extension * * * [and] so long thereafter as oil or gas is produced in paying quantities. Lease no. C-4570-A remains held by production from well no. 23-1. Lease no. C-4570 does not contain a well capable of production in paying quantities, and therefore, this office recommends that it be allowed to expire as of February 6, 1987.

[1] Under 30 U.S.C. | 226(j) (1982), a lease which is completely eliminated from a unit is extended for its original term, but for not less than 2 years and so long thereafter as oil or gas is produced in paying quantities. Celsius Energy Co., 99 IBLA 53, 64, 94 I.D. 394, 400-401 (1987). ^{1/} On February 6, 1986, when C-4570 was eliminated from the Rio Blanco Unit, its lease term was extended in accordance with that law for 2 years and so long thereafter as oil or gas was produced in paying quantities. Huber's claim of reliance on BLM's erroneous statement that C-4570 contained a producing well at the time of elimination, must be rejected. As we have stated on numerous occasions, reliance on erroneous or incomplete information given by an employee of the Department cannot create any rights not authorized by law. Hiko Bell Mining & Oil Co. (On Reconsideration), 100 IBLA 371, 397, 95 I.D. 1, 15 (1988); Raymond T. Duncan, 96 IBLA 352, 355 (1987). The law authorized a extension for 2 years and so long thereafter as oil or gas was produced in paying quantities. Lease C-4570 received the extension that the law allowed.

Moreover, BLM's mistake should not have prejudiced Huber, since it was in a position to know whether or not there was, in fact, a producing well on that lease and, despite that mistake, BLM correctly informed the lessee in the November 26, 1986, decision that the "lease is currently in a definite extended term ending February 6, 1987, at which time the continuation of the lease will depend on production from a leasehold well." BLM properly concluded that the lease expired at the end of the 2-year period following its elimination from the Rio Blanco Unit.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is affirmed.

Bruce R. Harris

Administrative Judge

I concur:

Wm. Philip Horton
Chief Administrative Judge

^{1/} On Dec. 22, 1987, Congress enacted the Federal Onshore Oil and Gas Leasing Reform Act of 1987, P.L. 100-203, 101 Stat. 1330-256 (1987). That act redesignated 30 U.S.C. | 226(j) as section 226(m). It did not amend the language thereof.